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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 25, 2001

APPLICATION OF
COLUMBIA GAS OF VIRGINIA, INC.

CASE NO. PUE010350

To Extend Customer
CHOICESM Pilot Program

ORDER GRANTING EXTENSION AND DIRECTING THE FILING OF A
PLAN FOR RETAIL GAS SUPPLY CHOICE

Before the Commission is the application of Columbia Gas of Virginia, Inc. ("Columbia" or "Company"), for authority to offer its Customer CHOICESM program after October 1, 2001. Columbia's Customer CHOICESM is a voluntary experiment using special rates approved by the Commission pursuant § 56-234 of the Code of Virginia. Customer CHOICESM offers the Company's residential and small general service customers in the Gainesville area the opportunity to purchase gas from independent marketers. Columbia delivers the gas under terms and conditions approved by the Commission.

The Commission first authorized Customer CHOICESM, then called Commonwealth Choice, for the period October 1, 1997, through October 1, 1999. Commonwealth Gas Services, Inc., Case No. PUE970455, 1997 S.C.C. Ann. Rep. 417. We subsequently extended the termination date first to October 1, 2000, Columbia Gas of Virginia, Inc., Case No. PUE990245, 1999 S.C.C. Ann. Rep.

476, and then to October 1, 2001, Columbia Gas of Virginia, Inc., Case No. PUE000284, 2000 S.C.C. Ann. Rep. 534.

The Company proposes to continue Customer CHOICESM until the earlier of the date it implements retail supply choice for all customers as authorized by § 56-235.8 of the Code of Virginia, or October 1, 2002. In support of its application, Columbia stated that time would be required to develop a permanent program which conformed with the Commission's Rules Governing Retail Access to Competitive Energy Services, 20 VAC 5-312-10 et seq., adopted on June 19, 2001. Pending implementation of the retail supply choice plan, which would be offered throughout Columbia's service territory, the Company proposes to continue the pilot program in the Gainesville area.

By Order for Notice of July 12, 2001, the Commission directed Columbia to give notice of its application to extend Customer CHOICESM and invited interested persons to comment. On August 15, 2001, Columbia filed proof of notice to customers in the Gainesville area, local governments, and interested parties. The Commission finds that proper notice of this application was given. The Commission received two letters from customers who favored extending the program.

In the Order for Notice, we also directed the Commission Staff to investigate the application and to file a report of its findings. In its Report filed on August 27, 2001, the Staff

reviewed the program. As of June 2001, approximately 20 percent of the 38,000 eligible customers, or approximately 7,500 customers, participated in the program. The Staff noted that the Company had calculated that, from January 2001 through June 2001, the customers participating in Customer CHOICESM saved approximately \$1.88 million on their gas bills.

The Staff agreed that Customer CHOICESM should be continued to allow customers to continue saving money on gas bills and to permit the Company to gain experience and collect data. The Staff questioned the continued delay in offering a permanent program to all Columbia customers. The Staff recommended that the current Customer CHOICESM pilot program be continued only to March 31, 2002, and that Columbia file a retail supply choice plan to become effective on April 1, 2002.

In its comments on the Staff's report, Columbia again urged approval of the pilot program until October 1, 2002, or the implementation of a permanent program. The Company noted that it had committed to the Staff that a permanent program would be filed by December 1, 2001.

The Commission shares the Staff's concerns about delay in extending the benefits of a program modeled on Customer CHOICESM to all Columbia customers. As the Staff noted in its report and Columbia acknowledged in its application, a significant number of eligible customers participate in Customer CHOICESM, and they

have enjoyed substantial savings in the cost of gas. The Commission finds that Columbia should offer retail supply choice to all of its customers not eligible for transportation service during the 2002-2003 heating season.

Columbia stated in its response to the Staff Report that it will apply for approval of a retail supply choice plan by December 1, 2001, and we so direct the Company. In considering the plan, the Commission will adhere to the time limitations set by the General Assembly in § 56-235.8 of the Code. It is the Commission's intention that the plan be approved by April 30, 2002, and take effect by July 1, 2002, so that customers will have an opportunity to enroll before the heating season commences. Accordingly, we will authorize Customer ChoiceSM only through June 30, 2002.

In the orders authorizing Customer CHOICESM, and cited previously, the Commission directed Columbia to collect information on costs it deems stranded as a result of Customer CHOICESM and to report semiannually these costs. We have also directed the Company to collect daily load samples for comparison with load profiles used by the participating marketers and to present a balancing study prior to expanding or terminating the pilot program. As a condition of continued authorization of the pilot program, the Commission will require Columbia to continue collecting all information as previously

ordered. We direct that Columbia file its final balancing study with its retail supply choice plan by December 1, 2001, so that the revenue effect, if any, will be available while the Commission considers the program for retail supply choice as provided by § 56-235.8 of the Code.

Finally, the Staff noted in its report that agreement had been reached with the Company on the wording of certain proposed revised tariff language. The agreed language was appended to the Staff Report. We will order Columbia to implement this agreed language along with other tariff provisions continuing Customer CHOICESM.

As we discussed previously, Customer CHOICESM has benefited participating customers. A retail supply choice program offering these benefits should be extended to all Columbia customers. We encourage the Company to devote its considerable resources to developing a program and to consult with the Staff as it prepares its application to be filed by December 1, 2001.

Accordingly, IT IS ORDERED THAT:

(1) Columbia's application to extend the Customer CHOICESM pilot program pursuant to § 56-235.3 of the Code of Virginia is granted to the extent discussed in this Order and is otherwise denied.

(2) Within seven (7) days of receipt of this Order, Columbia shall file with the Division of Energy Regulation

tariff pages extending Customer CHOICESM and bearing an effective date of September 30, 2001, and an expiration date of June 30, 2002. The appropriate tariff page shall include the agreed language appended to the Staff Report.

(3) Columbia shall continue to collect daily load samples and profiles, to log the use of the capacity assignment option by suppliers, and to log supplier requests for information all as previously ordered.

(4) Columbia shall continue to file semiannually its estimates and calculations of stranded costs associated with Customer CHOICESM with the Director of Public Utility Accounting, and file the final study as ordered in (6) below.

(5) On or before December 1, 2001, Columbia shall file with the Clerk of the Commission an application for approval of a retail supply choice plan available to all eligible customers throughout its service territory on or before July 1, 2002.

(6) On or before December 1, 2001, Columbia shall file with the Commission its final balancing study, any related studies, and any final study on stranded costs.